

Bridgepoint Education, Inc

Summary: 2012 of U.S. Senate Committee Findings + 2015 Update

Overview

- Bridgepoint Education, Inc., a publicly traded company, offers primarily online, 4-year degrees (only 2 physical campuses) under two brands, Ashford University and University of the Rockies
- Offers degrees in business, healthcare, education, IT and social sciences, psychology, organizational leadership, and human services
- Enrollment grew exponentially from about 1,000 in 2005 to about 95,000 by March 2012, with a concomitant increase in revenue
- In 2013, it settled with the Iowa attorney general over deceptive advertising and coercive recruiting and several state and federal authorities opened investigations in 2013 and 2014

Tuition

- Its executives tout their low tuition, in large part because students can pay for the entire cost of a degree with federal student aid
- A unique “technology services fee” collects \$250 at the University of Rockies and \$1,290 at Ashford University, allowing the school to collect a significant amount of money soon after a student enrolls, and if a student later withdraws the company keeps the funds
- An online Associate degree in business is \$30,574 compared to \$7,936 for the same degree at a community college
- A Bachelor’s degree in business administration at Ashford University Online is \$53,680 vs. the same degree at the University of Iowa which costs \$43,816

Federal Revenue

- 93.7% (\$547 million) of its revenue was derived from federal student aid plus military and veterans educational benefits in 2010

Expenditure Priorities

- It allocated 30.3% (\$216.4 million) of revenue to profit and 29.7% (\$211.6 million) to marketing and recruiting, which is the highest spent on marketing of the publicly traded schools examined
- In 2009, its CEO received \$20.5 million in total compensation, over 33 times as much as president of the University of Iowa

Recruiting Tactics

- Spent \$1,212 per student on instruction in 2009, compared to \$2,604 on marketing and \$1,460 on profit
- Recruiters taught a sales technique known as “overcoming objections.” If a student presented an “objection” to enrolling, recruiters were instructed to think of this as a “buying signal.”
- Prior to the July 2011 ban on paying recruiters based on the number of students enrolled, it awarded raises and promotions to recruiters who hit its enrollment quotas
- Like other education companies, it pressured its recruiters to enroll as many students as possible through rewards and punishment
- Recruiters mislead prospective students about cost and accreditation necessary for licensure for some programs
- Students studying to become teachers often not told that an additional 12-18 month course in Arizona was needed to obtain certification in that state and that the certification might not be transferable to their home state

Academic Quality & Outcomes for Students

- It spent \$1,212 per student on instruction in 2009 compared to \$3,866 at a nearby community college and \$14,882 at the University of Iowa
- Instruction expenditures were on the low end for the publicly-traded schools surveyed and may reflect efficiencies in online operations that are not reflected in the high tuition charged
- 66.8% of students who enrolled in 2007-08 withdrew by 2010 after being enrolled a median of 5 months; Associate withdrawal rate was the highest among schools examined and Bachelor's was fourth highest
- Spike in defaults for students entering repayment in 2005 and 2008, from 8.6% to 19.8%, respectively, the 2nd highest year-over-year increase of any school examined
- Like many other for-profits, it contracted with a company to "cure" students who are approaching default through deferment or forbearance, not by students actually repaying their loans
- In 2010, it employed only 1 career service employee for its 77,179 students and 1 student services employee for every 200 students but 1 recruiter for every 45 students
- In 2010, 98% of its faculty were part-time, compared to an industry-wide average of 80%
- Students provided mixed feedback on the quality of the instructors
- Because its online operations are California-based, Ashford had to seek accreditation from the Western Association of Schools and Colleges, which denied its application in 2012 due to high attrition and relatively high funding for recruitment compared to resources supporting academic quality and student success

2015 Update

- In July 2012 investors in Bridgepoint filed a class action lawsuit alleging that the company violated federal law by concealing its accreditation problems (accreditation denial by the Western Association of Schools and Colleges), which impacted its stock price
- In July 2013, the Western Association of Schools and Colleges accredited Ashford for 5 years, concluding that the university had responded to Commission concerns and was now in substantial compliance with its standards, having shifted from a market-driven approach to one focused on student success
- California attorney general opened an investigation into whether Bridgepoint violated state law by making false or misleading statements during phone calls, including telemarketing calls and through other sales and marketing efforts (July 2013)
- Massachusetts attorney general opened an investigation of Bridgepoint and Ashford over whether the university's business practices complied with Massachusetts consumer protection laws (July 2014)
- Iowa attorney general announced a settlement of providing \$7.25 million in restitution for Ashford University's 5,000 Iowa students. The agreement bars deceptive advertising and coercive recruiting and creates an independent overseer (May 2014). In July 2015, the AG announced over \$5.2 million in restitution to about 300 on-line students who were falsely led to believe that they would be able to obtain a teacher's license in Iowa.
- U.S. Securities and Exchange Commission subpoenaed Bridgepoint for information related to certain of the Company's accounting practices, including revenue recognition, receivables and other matters relating to the Company's previously disclosed intention to restate its financial statements for fiscal year ended December 31, 2013 and revise its financial statements for the years ended December 31, 2011 and 2012, and the prior revision of the Company's financial statements for fiscal year ended December 31, 2012 (July 2014)
- A July 2014 report by the Senate Health, Education, Labor and Pensions Committee found that from 2009 through 2013 Bridgepoint received \$102 million in revenue from veterans using Post-9/11 benefits
- On July 7, 2016, Bridgepoint Education, Inc. received from the Department of Justice a Civil Investigative Demand related to the DOJ's investigation concerning allegations that the Company may have misstated Title IV refund revenue or overstated revenue associated with private secondary loan programs and thereby

Summary of findings from a report by the Senate Health, Education, Labor and Pensions (HELP) Committee: *For-Profit Education: The Failure to Safeguard the Federal Investment and Ensure Student Success* (July 30, 2012). Find the full chapter on Bridgepoint at: http://www.help.senate.gov/imo/media/for_profit_report/PartII/Bridgepoint.pdf

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misrepresented its compliance with the 90/10 rule of the Higher Education Act of 1965, as amended. Pursuant to the CID, the DOJ has requested from the Company documents and information for fiscal years 2011-2014. The Company is evaluating the CID and intends to fully cooperate with the DOJ on this matter.

- On July 7, 2016, Ashford University was notified by the U.S. Department of Education (the “Department”) that an off-site Program Review has been scheduled to begin on July 25, 2016 to assess Ashford's administration of the Title IV programs in which it participates. The Program Review initially will cover students identified in the 2009-2012 calendar year data already provided by Ashford to the Department, but may be expanded if appropriate.
- In August 2016, Bridgepoint announced that a U.S. Department of Education review of Ashford University's compliance with federal financial aid rules had resulted in a fine of \$137,695. The review, initiated in 2014, found that Ashford had awarded financial aid in excess of some students' need, and disbursed more loan funds than the maximum allowed.